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## SECTION I - INTRODUCTION

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### OVERVIEW

The FY 2007 budget builds upon the FY 2006 President's Budget, begins to implement the 2005 Quadrennial Defense Review (QDR), and continues to respond to current National demands, even as we aggressively transform our forces to prepare for the uncertainties of the future. We live in a challenging new era. This is a time of promise and developing partnerships, but also a time of irregular and increasingly unrestricted warfare. We are a nation at war. Global threats are proving ever more complex and unpredictable—from conventional threats posed by nation-states to terrorists armed with improvised explosive devices. Our enemies will resort to whatever means are available to wreak havoc and destruction—physically, economically, and psychologically—unhindered and unconstrained by moral conscience or social norms. Their intent is to destroy our way of life. To be effective in this environment, we must be ever vigilant in using our limited fiscal resources efficiently and effectively. We must provide the right force for the nation today, while we work to shape our 21<sup>st</sup> century manpower, change the way we fight, and improve infrastructure and business practices to yield a timely and cost effective result.



The 2005 QDR continues the two fundamental imperatives of the 2001 QDR. First, we are continuing to shift the balance of capabilities towards a more agile military, one that is prepared for the wider asymmetric challenges and uncertainties in the next 20 years. Additionally, we continue to implement enterprise-wide reforms to ensure structures and processes support the Department's strategic direction. The FY 2007 budget also reflects the QDR's refined Force Planning Construct, which better defines our responsibility for homeland defense within a wider Federal government framework, expands emphasis on the Global War on Terrorism, and accounts for steady-state demands as well as surge activities over a multi-year period. These reforms provide greater flexibility for the President and more effective capabilities for the joint warfighter.

Winning the Global War On Terrorism (GWOT) is our number one priority, and the budget continues to support this goal. The Department's Fleet Response Plan (FRP) produces adaptable force packages and better sustains readiness throughout a unit's

operational cycle, decreasing a carrier's down time and enabling almost immediate deployment of up to six of the Navy's carrier strike groups (CSGs), and additional CSGs within 90 days. In 2005 Navy and Marine Corps achievements in support of the Global War On Terrorism proved critical to our strategy to achieve wartime objectives. A Marine Expeditionary Force conducted operations in Al Anbar province—the heart of the Baathist insurgency—and was successful in ensuring security for historic elections in January and December 2005, both of which represented significant victories in the steady march toward the final defeat of a vile and discredited regime. Over 2,000 Marines executed missions in Afghanistan and the Horn of Africa, and nearly 9,000 Sailors were assigned to Central Command in various missions in support of the Global War On Terrorism.



The flexibility and professionalism of naval forces were on display in these military operations and also in providing humanitarian relief to victims of disasters in Indonesia and Pakistan and at home on our Gulf Coast after Hurricane Katrina. In carrying out these missions, from New Orleans to Baghdad, naval forces performed superbly, taking advantage of our unique capabilities from the sea to engage the enemy or rescue the homeless, achieving objectives ranging from building a school to destroying a terrorist enclave. The success of the Navy and Marine Corps in executing the wide array of missions this year suggests that our efforts to provide the right force today while preparing for the uncertainties of tomorrow are striking the right balance.



The FY 2007 budget makes a significant advance in building a fleet for the future. The Department's continued transformation emphasizes joint capabilities rather than individual programs. The budget lays the foundation of our path to the next generation of warfighting platforms. Our force structure will meet our joint core warfighting presence and war on terror demands. New platforms such as CVN-21, DD(X), CG(X), Littoral Combat Ship (LCS), *Virginia* Class SSN, LPD-17, LHA(R), and the MPF family of ships will comprise the next generation of battle force ships. The

Department is also replacing costly older aviation systems with more efficient and capable integrated systems, including F/A-18E/F, EA-18G, MV-22, Joint Strike Fighter, E-2D, modern MH-60 helicopters, Multi-Mission Aircraft (MMA), and BAMS UAV. A revitalized ship force structure, along with streamlined aviation platforms, will meet joint warfighting, presence, and War on Terrorism demands.

In addition to the new generation of warfighting platforms, a number of new joint capabilities, outlined in the 2005 QDR, are funded in the FY 2007 budget. The Expeditionary Security Force increases the effectiveness of maritime interdiction operations by supporting intercept and boarding capabilities in every strike group. The National Maritime Intelligence Integration Center increases maritime domain awareness through improved integration with interagency and international partners. Riverine capability fills a critical capability gap and provides additional opportunities to enhance partner-nation capabilities and capacity. Finally, the establishment of the Marine Corps component of the Special Operations Command (MARSOC) enhances interoperability and provides greater flexibility and increased capability to fight the war on terrorism. MARSOC will provide a unique combination of land components and maritime expeditionary capabilities across a wide range of missions supporting the QDR initiative to strengthen the Nation's ability to respond to irregular warfare.

People are the key ingredient to producing readiness and enhancing capabilities. We have thus far been very successful in winning the battle for people, and our



budget must preserve our commitment to the workforce. However, that workforce is not static. The Marine Corps has shown high adaptability in meeting new and intense manpower demands through better utilization of active and reserve forces, military/civilian conversion, and flexible strength levels. Navy personnel levels can and will

decline as we transform our force and enhance future capabilities, but the shape of the manpower force must also be transformed, guided by a human capital strategy that delivers the right skills, at the right time, for the right work. We continue to strive to achieve a higher quality of service for our Sailors, Marines, and civilians. Training our Sailors and Marines is critical to implementing transformation initiatives and to ensure optimum results. The Department is transforming the naval personnel force by creating modern human resource systems to achieve the objectives of *Sea Power 21* and *21<sup>st</sup> Century Marine Corps*, and is implementing the National Security Personnel System.

The Department is transforming our business processes, consistent with the President's Management Agenda objective of improving financial management in the government. A mid/long-term effort involves investing in a significantly improved and integrated automated environment. This environment will be compliant with the broad DoD Business Enterprise Architecture/Modernization program using the Converged Navy Enterprise Resource Planning System (ERP) as the cornerstone. The ERP deployments will reshape and standardize business processes, producing more reliable financial information for decision-making.



Ultimately, a clean audit opinion from an external source will validate the success of our desired outcomes. In the short/near term, both Navy and Marine Corps are pursuing a variety of initiatives to enhance the effectiveness of current business processes. The Navy Marine Corps Intranet will be fully fielded this year, and we expect increased efficiency and effectiveness by reducing legacy networks, and through application rationalization and reduction. Our budget also maintains a robust focus on infrastructure management and improvement. A consolidated Navy installation management command will continue to provide the best return on constrained shore support resources, and our people are engaged in activities to carry out the base realignment and closure decisions approved for implementation.

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## NAVAL POWER 21 - A NAVAL VISION

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The Department of the Navy team is the United States Navy and the United States Marine Corps. Each has distinct and complementary missions that are integrated not only with each other, but also with the other Services, other federal and state agencies, and coalition forces. As part of a joint warfighting team, the Navy and Marine Corps will control the seas and project power, defense, and influence beyond the sea. Our forces will use the sovereignty of the sea and enhanced, networked seabasing to operate without restriction. Our forward expeditionary nature will provide persistent warfighting capabilities and sustained American influence wherever we may be called to deploy. We will assure our friends and allies, that together with the U.S. Army, U.S. Air Force, and U.S. Coast Guard, we will



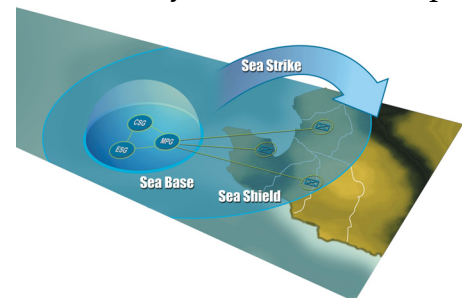
dissuade, deter, and defeat our nation's enemies. Our Sailors, Marines, and civilians will leverage innovative organizations, concepts, technologies, and business practices to achieve order of magnitude increases in warfighting effectiveness. Sea-Air-Land and Space will be our domain.

Above all, the Navy and Marine Corps defend our homeland, both through our actions overseas and by our efforts at home. Our vision to achieve this is based on three fundamental pillars:

- I. *We assure access.* Assuring seabased access worldwide for military operations, diplomatic interaction, and humanitarian relief efforts. Our nation counts on us to do this.
- II. *We fight and win.* Projecting power to influence events at sea and ashore both at home and overseas. We project both offensive power and defensive capability. It defines who we are.
- III. *We are continually transforming to improve.* Transforming concepts, organizations, doctrine, technology, networks, sensors, platforms, weapon systems, training, education, and our approach to people. The ability to continuously transform is at the heart of America's competitive advantage and a foundation of our strength.

This vision, supported by the capabilities generated by the Navy's *Sea Power 21* and *21st Century Marine Corps*, serves as the way ahead for Navy and Marine Corps operations and programs. These documents define our advance into the future as part of a joint force, and focus efforts and resources within each Service.

Seabasing is the overarching framework within which the Navy and Marine Corps will transform our core capabilities to increase the effect of naval forces in joint campaigns. As enemy access to weapons of mass destruction grows, and access to overseas bases declines, it is compelling both militarily and politically to reduce the vulnerability of US forces through expanded use of secure, agile, networked sea bases.



Seabasing capabilities will provide joint force commanders with global command and control and extend integrated logistical support to the other Services' forces. Afloat positioning of these capabilities strengthens force protection and frees airlift

and sealift assets to support missions ashore. Seabasing also serves as the foundation from which both offensive and defensive fires are projected. Seabasing effectively integrates the transformational thrust of *21st Century Marine Corps* and *Sea Power 21*.

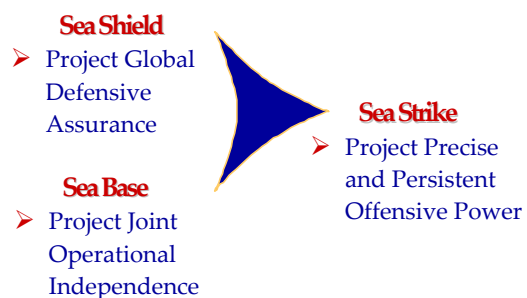
## SEA POWER 21

*Sea Power 21* is the Navy's vision to align, organize, integrate, and transform to meet the challenges that lie ahead. It requires us to continually and aggressively reach. It is global in scope, fully joint in execution, and dedicated to transformation. It reinforces and expands concepts being pursued by the other Services - long-range strike; global intelligence, surveillance, and reconnaissance; expeditionary maneuver warfare; and light, agile ground forces - to generate maximum combat power from the joint team.



*Sea Power 21* establishes fundamental capability areas together with superior information technology to guide the Navy's transformation efforts with the Marine Corps and joint partnerships. These areas include:

- *Sea Strike* - broadened concept for naval power projection that leverages enhanced command, control, and intelligence; precision; stealth; and endurance.
- *Sea Shield* - develops naval capabilities in the areas of homeland defense, sea control, assured access, and projection of defense overland.
- *Sea Base* - projects US sovereignty from the sea and provides joint force commanders with command and control, fires, and logistical support from secure sea bases - effectively making Sea Strike and Sea Shield a reality.
- *ForceNet* - the "glue" that binds together Sea Strike, Sea Shield and Sea Base. It integrates warriors, platforms, sensors, weapons and logistics into a networked and distributed combat force.



The powerful warfighting capabilities of *Sea Power 21* will ensure that our joint force dominates the unified battlespace of the 21<sup>st</sup> century, strengthening America's ability to assure friends, deter adversaries, and triumph over enemies - anywhere, anytime.

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## THE 21ST CENTURY MARINE CORPS

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The strategy for the 21<sup>st</sup> Century Marine Corps is *Creating Stability in an Unstable World*. This strategy provides the vision, intent, and guidance that will evolve the



capabilities required of the Corps in a changing security environment. It describes how the Marine Corps will retain its traditional characteristics as a primarily naval, expeditionary combat force-in-readiness, while developing the skills and capabilities necessary to operate and excel across the spectrum of conflict. Accessing denied areas

from great distances, we will project Marine forces from land or sea bases for operations as part of a joint or combined force. Marine forces will provide defense of the homeland by operating from forward deployed locations throughout the world, and will sustain those deployed forces for extended periods of time.

While Marines will be ready to fight across the spectrum of conflict, the 21<sup>st</sup> Century Marine Corps emphasizes that our future will be characterized by irregular wars. We will exploit the speed, flexibility, and agility inherent in our combined-arms approach to defeat traditional, terrorist, and emerging threats to our Nation's security. Towards that end, the 21<sup>st</sup> Century Marine Corps provides the following guidance:

- Create Marines who thrive in chaotic and uncertain environments through improved training and education in foreign languages, cultural awareness, tactical intelligence and urban operations. Train, educate, orient and equip all Marines to operate skillfully across the wide spectrum of operations, blending the need for combat skills and counter-insurgency skills with those required for civil affairs.
- Implement Distributed Operations as an extension of maneuver warfare by enhancing small units so they are more autonomous, more lethal, and better able to operate across the full spectrum of operations. This will require individual communications, tactical mobility, and networked intelligence down to the squad level, plus adaptive and scalable logistics and fires

capabilities to support these small units, whether dispersed across the battle space or aggregated for larger operations.

- Work with partner nations in order to enhance regional security and stability while placing new emphasis on interaction and coordination with interagency and international forces.
- Adapt our tactics, techniques and procedures as well as technology to enhance our capabilities to succeed in irregular conflict in urban environments. Shape and enhance the capabilities of our reserve forces to respond to the 21<sup>st</sup> Century environment, and improve our integration and coordination with Special Operations Command.
- Continue to enhance and transform our capabilities for forcible entry from the sea. Seabasing will significantly reduce our deploy/employ timelines while also dramatically reducing our footprint ashore.

The *21<sup>st</sup> Century Marine Corps* defines our desired end state as a Marine Corps that celebrates its culture and ethos, but is never satisfied with its current capabilities and operational performance--a learning organization that embraces innovation and improvement in order to increase its effectiveness as part of the Joint Force.

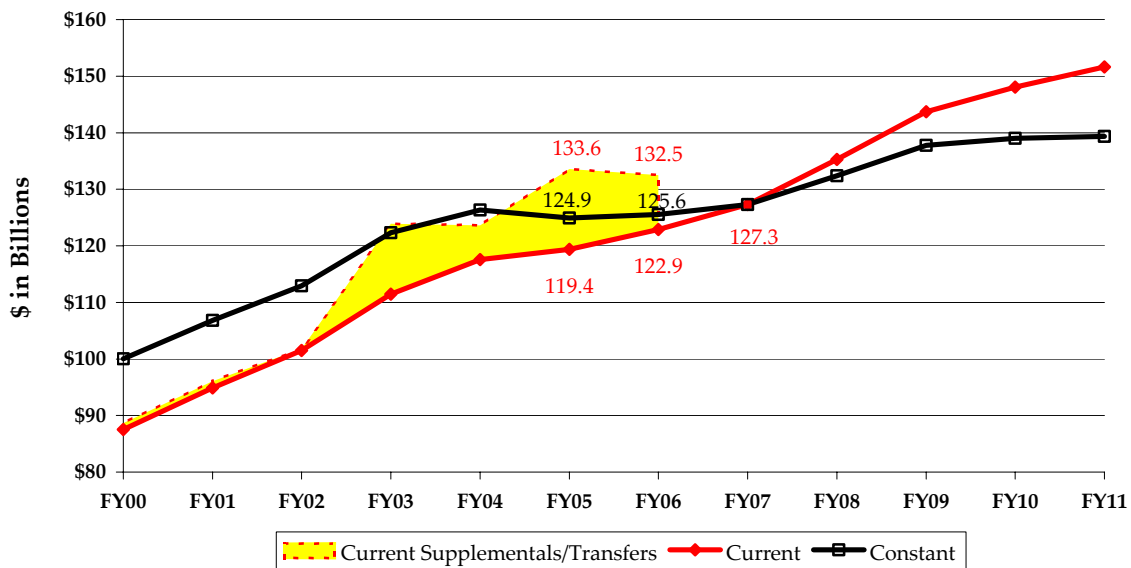




## RESOURCE TRENDS

The FY 2007 budget reflects a balance between keeping today's force ready and transforming for the future.

**Chart 1 - Department of the Navy Topline FY 2000 - FY 2011**

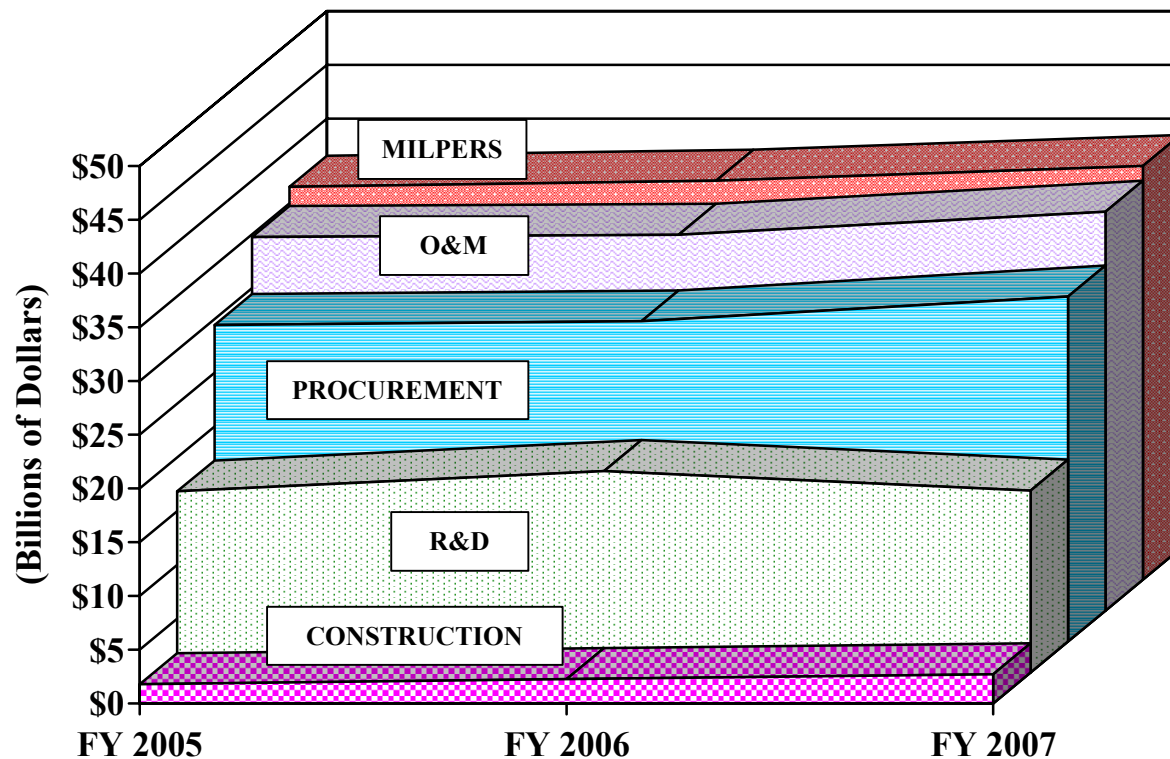


Note: Chart 1 reflects the current budget adjusted to facilitate year-to-year comparison. First, the current dollars for FY 2000 through FY 2011 have been reduced to exclude supplementals and transfers. Second, the resulting profile is expressed in constant dollars to eliminate the effect of inflation and other price changes between the years. Lastly, the current supplementals and transfers are overlaid to show the significance of contingency operations with respect to the baseline.

In total, the current budget decreases by \$5.2 billion (3.9 percent) in FY 2007 from FY 2006 levels. However, since the FY 2006 program contains funding from supplemental appropriations, they must be excluded to compare the baseline program. Chart 1 shows the funding profiles for the DON for the baseline program in current and constant dollars, and also reflects additional funding provided via supplemental appropriations to support the global war on terrorism and disaster relief. As shown in Chart 1, the nation made a significant investment in the DON's baseline program after September 11, 2001, increasing funding in real terms by more than 23 percent. During FY 2004 through 2006, the baseline program plateaued, however, significant additional funding was provided via supplementals to ensure that the Department could accomplish its mission in Afghanistan and Iraq. As we look beyond the current operations and to the future, the baseline budget continues to reflect real growth in each fiscal year. This investment we are asking the nation to undertake is critical to recapitalize our Department of Navy, ensure the continued

success of the all-volunteer force, and efficiently operate our bases while effectively preparing for future missions.

**Chart 2 - Trendlines FY 2005 - FY 2007**



Note: Excludes supplemental appropriations/transfers.

As shown in Chart 2, every appropriation category increases in FY 2007 with respect to FY 2006 appropriations, except for Research and Development. Military Personnel accounts are increasing due to health care costs and accrual rates for retired pay. Operating accounts are increasing due to the rising costs of fuel and increased readiness levels for a surge capable Navy. Procurement account increases reflect the first production of DD(X) and an increase of 31 aircraft in FY 2007 over the FY 2006 level. The R&D account decrease in FY 2007 reflects the maturation of major development programs as they transition into production.

Table 1 displays individual Department of the Navy appropriation estimates for FY 2005 through FY 2007.

## APPROPRIATION SUMMARY FY 2005 - FY 2007

**Table 1**

**Department of the Navy**

**Appropriation Summary FY 2005 - FY 2007**

(In Millions of Dollars)

	FY 2005 <sup>1</sup>	FY 2006 <sup>2</sup>	FY 2007
Military Personnel, Navy <sup>3</sup>	25,294	22,753	23,271
Military Personnel, Marine Corps <sup>3</sup>	10,817	9,408	9,335
Reserve Personnel, Navy <sup>3</sup>	2,099	1,707	1,778
Reserve Personnel, Marine Corps <sup>3</sup>	602	510	551
Health Accrual, Navy <sup>3</sup>	-	2,029	2,074
Health Accrual, Marine Corps <sup>3</sup>	-	982	1,051
Health Accrual, Navy Reserve <sup>3</sup>	-	292	287
Health Accrual, Marine Corps Reserve <sup>3</sup>	-	137	145
Operation & Maintenance, Navy	33,892	31,770	31,331
Operation & Maintenance, Marine Corps	6,238	5,489	3,879
Operation & Maintenance, Navy Reserve	1,364	1,644	1,289
Operation & Maintenance, Marine Corps Reserve	201	242	212
Environmental Restoration, Navy	-	302	304
Aircraft Procurement, Navy	9,011	9,786	10,869
Weapons Procurement, Navy	2,191	2,741	2,555
Shipbuilding & Conversion, Navy	10,373	10,595	10,579
Other Procurement, Navy	4,862	5,486	4,968
Procurement, Marine Corps	5,030	3,036	1,274
Procurement of Ammunition, Navy & Marine Corps	1,024	882	790
Research, Development, Test & Evaluation, Navy	17,077	18,734	16,912
National Defense Sealift Fund	1,107	1,078	1,072
Military Construction, Navy	1,328	1,437	1,162
Military Construction, Naval Reserve	37	167	48
Family Housing Construction, Navy & Marine Corps	12	191	305
Family Housing Operations, Navy & Marine Corps	706	632	509
Navy Working Capital Fund	294	83	84
Base Realignment and Closure IV	-	133	-
Base Realignment and Closure V	-	247	690
<b>TOTAL</b>	<b>\$133,560</b>	<b>\$132,492</b>	<b>\$127,322</b>

Note: Totals may not add due to rounding.

1) FY 2005 includes \$14.2B in supplemental appropriations/transfers.

2) FY 2006 includes \$9.6B in supplemental appropriations/transfers.

3) Beginning in FY 2006, the health accrual amounts have been realigned from the MPN, MPMC, RPN, and RPMC appropriations into separate Health Accrual appropriations.

## DERIVATION OF FY 2006 ESTIMATES

Table 2 displays a track of changes to the Department of the Navy appropriations for FY 2006, beginning with the FY 2006 President's Budget request. The changes are due to incorporation of congressional action; supplemental appropriations for contingency operations and hurricane damage; and transfers that reflect known requirements. Amounts displayed here do not include all GWOT costs, which are being addressed in additional supplemental appropriation requests. The other column reflects available prior year balances in MILPERS and operating accounts, which remain available in FY 2006, and funding associated with Health Accrual, Navy for Midshipmen.

**Table 2**  
**Department of the Navy**  
**Derivation of FY 2006 Estimates**  
*(In Millions of Dollars)*

	FY 2006 President's Budget	Congressional Action	Supplemental Appropriations	Transfers	Other	FY 2006 Current Estimate
Military Personnel, Navy	23,032	-472	193	-	-	22,753
Military Personnel, Marine Corps	9,025	-146	467	-	62	9,408
Reserve Personnel, Navy	1,774	-105	38	-	-	1,707
Reserve Personnel, Marine Corps	521	-13	3	-	-	510
Health Accrual, Navy	2,006	-	-	-	22	2,028
Health Accrual, Marine Corps	982	-	-	-	-	982
Health Accrual, Navy Reserve	292	-	-	-	-	292
Health Accrual, Marine Corps Reserve	137	-	-	-	-	137
Operation & Maintenance, Navy	30,760	-1,277	2,274	-	14	31,770
Operation & Maintenance, Marine Corps	3,805	-156	1,839	-	1	5,489
Operation & Maintenance, Navy Reserve	1,246	-16	415	-	-	1,644
Operation & Maintenance, MC Reserve	200	0	42	-	-	242
Environmental Restoration, Navy	305	-3	-	-	-	302
Aircraft Procurement, Navy	10,517	-873	142	-	-	9,786
Weapons Procurement, Navy	2,708	-84	117	-	-	2,741
Shipbuilding & Conversion, Navy	8,721	185	1,689	-	-	10,595
Other Procurement, Navy	5,488	-116	114	-	-	5,486
Procurement, Marine Corps	1,378	-52	1,710	-	-	3,036
Procurement of Ammunition, Navy/MC	873	-32	41	-	-	882
Research, Development, Test & Eval, Navy	18,038	680	2	14	-	18,734
National Defense Sealift Fund	1,649	-571	-	-	-	1,078
Military Construction, Navy	1,029	117	291	-	-	1,437
Military Construction, Naval Reserve	45	2	120	-	-	167
Family Housing Construction, Navy & Marine Corps	219	-2	86	-112	-	191
Family Housing Operations, Navy & Marine Corps	594	-11	49	-	-	632
Navy Working Capital Fund	83	-	-	-	-	83
Base Realignment and Closure	276	104	-	-	-	380
<b>TOTAL</b>	<b>\$125,703</b>	<b>-\$2,841</b>	<b>\$9,632</b>	<b>-\$98</b>	<b>\$99</b>	<b>\$132,492</b>

Note: Totals may not add due to rounding.



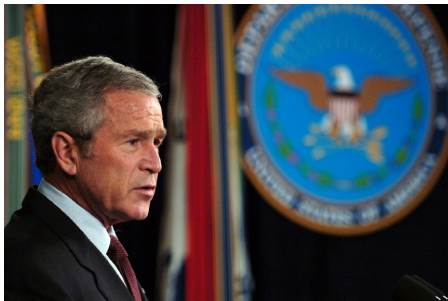
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## PERFORMANCE MEASUREMENT

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The Department of the Navy, with one of the largest workforces in our nation, is also one of the most visible to the public. With military members and employees in multiple countries, at sea and ashore, in every time zone, and in every climatic region, the spotlight never leaves our emblem. Our charter to defend our nation and its interests at home and abroad makes it essential that every military member and employee take an active role in using resources wisely and ensuring success in each endeavor.

The President has stated that this Administration is “dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used.” To achieve this, the President’s Management Agenda focuses on five basic objectives: (1) Budget and Performance Integration, (2) Strategic Management of Human Capital, (3) Competitive Sourcing, (4) Financial Management Improvement, and (5) Expanding E-Government. Improving



programs by focusing on results is an integral component of the Department’s budget and performance integration initiative. The most recent Executive Scorecard grades the Department of Defense as “yellow” on current status for budget and performance integration, and “green” for progress. The FY 2007 budget for the Department of the Navy associates performance metrics to approximately ninety percent of requested resources. In an effort to incorporate performance metrics into the budget process, the Office of Management and Budget has instituted Program Performance Assessments which identify programs that are measured in “getting to green” through a rating system that is consistent, objective, credible, and transparent. The Department of the Navy programs reviewed are outlined in Chart 3. Programs were assessed and evaluated across a wide range of issues related to performance. Amplifying metric information related to these programs can be found in detailed justification materials supporting the budget request.

### Chart 3 - Performance Scorecard

1. Budget and Performance Integration									
(In Millions of Dollars)	Program Purpose & Design	Strategic Planning	Program Mgmt	Program Results	Overall Rating	DON Funding			
						FY05	FY06	FY07	Programs Included
Military Force Management	100%	100%	72%	93%	Effective	38,824	37,818	38,491	MilPers
Shipbuilding	80%	90%	73%	47%	Adequate	13,402	13,778	13,280	SCN, NDSF, RD TEN
Marine Corps Expeditionary Warfare	80%	67%	88%	50%	Results Not Demonstrated	11,868	10,223	9,234	SCN, NDSF, RD TEN, APN, PMC, PANMC
Housing	100%	100%	72%	67%	Moderately Effective	5,810	5,822	6,300	FH, BAH
Navy/Marine Corps Air Operations	100%	100%	71%	92%	Effective	5,297	5,795	5,689	O&M
Navy Ship Operations	100%	100%	83%	84%	Effective	4,495	5,186	5,536	O&M
Air Combat	100%	100%	72%	66%	Moderately Effective	5,625	5,637	5,042	F/A-18 E/F, JSF
Depot Maintenance - Ship	100%	100%	86%	84%	Effective	3,889	4,042	3,882	O&M
Facilities SRM/Demolition	80%	100%	14%	60%	Adequate	2,720	3,037	2,868	O&M, MilPers, MILCON
Basic Skills and Advanced Training	100%	100%	86%	75%	Effective	1,416	1,432	1,421	O&M
Communications Infrastructure	80%	78%	36%	44%	Results Not Demonstrated	1,305	1,381	1,417	NMCI, Base level comm
Recruiting	80%	100%	72%	75%	Moderately Effective	1,165	1,190	1,163	O&M, MilPers
Depot Maintenance - Naval Aviation	100%	100%	86%	80%	Effective	980	977	991	O&M
Applied Research	100%	67%	50%	67%	Moderately Effective	802	799	639	RDTE
Basic Research	100%	89%	85%	80%	Effective	478	475	456	6.1
Unmanned Combat Air Systems	80%	100%	72%	60%	Moderately Effective	163	95	427	RDTE, WPN, APN, PMC
Other Training and Education	100%	12%	57%	27%	Results Not Demonstrated	302	340	363	O&M
Airlift Program	100%	100%	83%	84%	Moderately Effective	325	384	299	APN
Accession Training	100%	100%	86%	67%	Moderately Effective	238	205	261	O&M
Total Funding						\$99,104	\$98,616	\$97,759	

- 2. Strategic Management of Human Capital**
  - Implement first phase of National Security Personnel System (NSPS) (DoD-wide)
  - Transform Naval Military Personnel Force
  - Military to Civilian Conversions
  - Human Capital Strategy
- 3. Competitive Sourcing**
  - Commitment to study 63,420 positions under A-76 or OMB approved alternatives
- 4. Improved Financial Performance**
  - Business Transformation Initiatives (DoD-wide)
  - Enterprise Resource Planning
  - Financial Improvement Program
- 5. Expanded Electronic Government**
  - Utilizing E-Marketplace
  - E-Commerce Initiatives
  - Enterprise Software

In the September 2001 Quadrennial Defense Review (QDR) the Department of Defense introduced a risk management framework to enable the Department's senior leadership to better balance near-term demands against preparations for the future. The balanced risk approach has been successfully used to guide strategic planning and day-to-day management in accordance with the Government Performance and Results Act of 1993. The DON is now taking advantage of lessons learned from this initial implementation phase to refine and mature a more robust framework that supports and enables enterprise-wide decision-making.

QDR 2005 has validated the concept of managing risk and measuring performance across the enterprise. The availability of informative metrics populated by actionable data allows each level of the DON to be accountable for performance and delivering results, while focusing on their appropriate roles and responsibilities. In addition, it gives each level of the organization the autonomy to perform optimally, while allowing adequate oversight to ensure each level is supporting the Department-wide strategy.

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